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SUBJECT: CHAIRMAN OF COUNCIL OF REPRESENTATIVE'S ECONOMIC  
COMMITTEE ON ECONOMIC REFORM: FUEL IMPORT LIBERALIZATION  
AND INVESTMENT

11. (U) SENSITIVE BUT UNCLASSIFIED

12. (SBU) Summary: In a July 30 meeting, Dr. Haider Al Abadi, Chairman of the Economic, Reconstruction and Investment Committee (ERIC), discussed the questions being raised in the CoR about the new Investment Law and the Fuel Import Liberalization Law. He noted that some were concerned that the Investment Law would bring too many advantages to foreigners and the Fuel Import Liberalization Law would not benefit Iraq's many poor citizens. He also reviewed an idea for the Iraqi government to promote investment by building secure industrial areas for foreign investors to include factories, offices, housing and schools with appropriate physical security and guards. He welcomed further discussions with Embassy officials in the future and was open to new ideas. End summary.

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The Economic, Reconstruction and Investment Committee  
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13. (U) In a cordial meeting with Econ Mincon and Econ Deputy in his office, Dr. Abadi began by noting that the CoR decided to have one committee covering a wide range of economic topics rather than separate Economic and Investment Committees. The ERIC has 11 members. Mincon noted that the call was to introduce Dr. Abadi to post's economic section and establish a channel for future open exchanges of views and information on areas of mutual interest, emphasizing that such interchanges are common between U.S. embassies and legislatures around the globe. Abadi said that he looked forward to such a relationship between the Committee and post.

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The Investment Law  
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14. (SBU) Dr. Abadi had hoped that the CoR would pass the Investment Law before the session ended July 30 but said that Members wished further discussion, so the first reading was all that could be accomplished. (Note: Deputy Prime Minister Baram Saleh apparently rammed the law through the ERIC. The requirement in the CoR bylaws that the Legal Committee review the bill was, however, skipped, and the Legal Committee may challenge the first reading on that basis.) Abadi noted statements of concern over the present draft of the bill from a number of Members. For example, he noted that some Members objected to sale of land to foreigners, although the bill permits only 50-year leases. Abadi noted that foreign investors might be concerned about their inability to own land but said that, given the nationalist sensitivities in Iraq in evidence on the CoR floor, 50-year leases should be seen as providing stability, particularly because a lease

could be sold and could also be renewed. Econ Mincon emphasized that Iraq was competing for capital with other countries in the region and beyond. He urged the Members to ensure that the law provided inducements, not obstacles, to investors. If the law was seen as being too restrictive, business would not come to Iraq but go elsewhere. (Comment: the draft law will allow foreign investors to buy shares in partnerships in Iraqi companies that own land.)

15. (SBU) Abdai said that he understood and that important parts of the law were establishment of a Council, led by a Minister, to provide a one-stop point of approval as well as inclusion of provisions for prompt Council decision-making. In addition to providing for prompt approvals (or denials), Abdi said that this structure was designed to minimize bureaucrats, (and others) opportunities for corruption.

16. (SBU) Dr. Abadi also noted that the provision calling for 50 percent of the employees to be Iraqis was also criticized as insufficiently protective of Iraqis. Econ Mincon noted that firms from the U.S. and other developed countries wanted to hire locally and to train local personnel from line workers to managers because of the high costs of expatriates, who required support for housing, schooling for children, travel in addition to their salaries. Abadi said that Members were concerned about workers being brought in from low labor-cost countries. Econ Deputy suggested that a more flexible approach might to use immigration and visa law rather than the Investment Law to deal with the issue. Mincons noted that a foreign or Iraq firm might have a need for employees with a particular set of skills not available in Iraq in order to start up. An arbitrary number in the Investment Law might discourage such a firm from coming to Iraq. Immigration law could permit entry of such employees for a pre-determined period during which the company could

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establish itself while training Iraqis. Dr. Abadi responded enthusiastically to an offer to provide information about how U.S. visa law addresses the problem. Abadi noted, however, concern that corruption would be a problem with any system that allowed flexibility.

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Secure Investment Zones  
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17. (SBU) To enable foreign businesses to enter Iraq in the face of the threat of ongoing violence, Abadi said he and others were considering creating secure investment zones. These areas would be built as protected and guarded enclaves in which foreign companies' employees could work and live with their families, and would include, in addition to factories and offices, houses and schools. An area, not now developed, near Basra might be the first such zone.

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Fuel Import Liberalization Law  
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18. (SBU) Dr. Abadi then discussed the Fuel Import Liberalization Law, an important part of the GOI,s economic reform plans. Members questioned whether the private sector in Iraq was sufficiently open and competitive for liberalized imports to result in greater availability of product at prices most Iraqis, particularly poor Iraqis (40 percent of the population) could afford. Abadi said that at present Iraqis trusted the GOI more than Iraq,s private business people because under Saddam anyone doing well in business had to be in league with Saddam or his cronies. Abadi and other Members are concerned that the firms that enter the fuel import business will collude to fix prices. Econ Mincon argued that foreign major oil firms that come into the market would be unlikely to engage in such behavior because of their broader interest in hydrocarbon activities at some later

date. (Note: Dr. Abadi confirmed that the fuel import bill had been expanded from its original coverage of only automotive fuels and lubricants to include kerosene, Liquefied Petroleum Gas (LPG) and asphalt. End note.)

19. (U) Dr. Abadi looked forward to continuing contacts with post and appreciated the interest in his Committee and the COR.

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